

Natera, Inc.

Q1 Earnings Call
May 9, 2019



Safe harbor statement

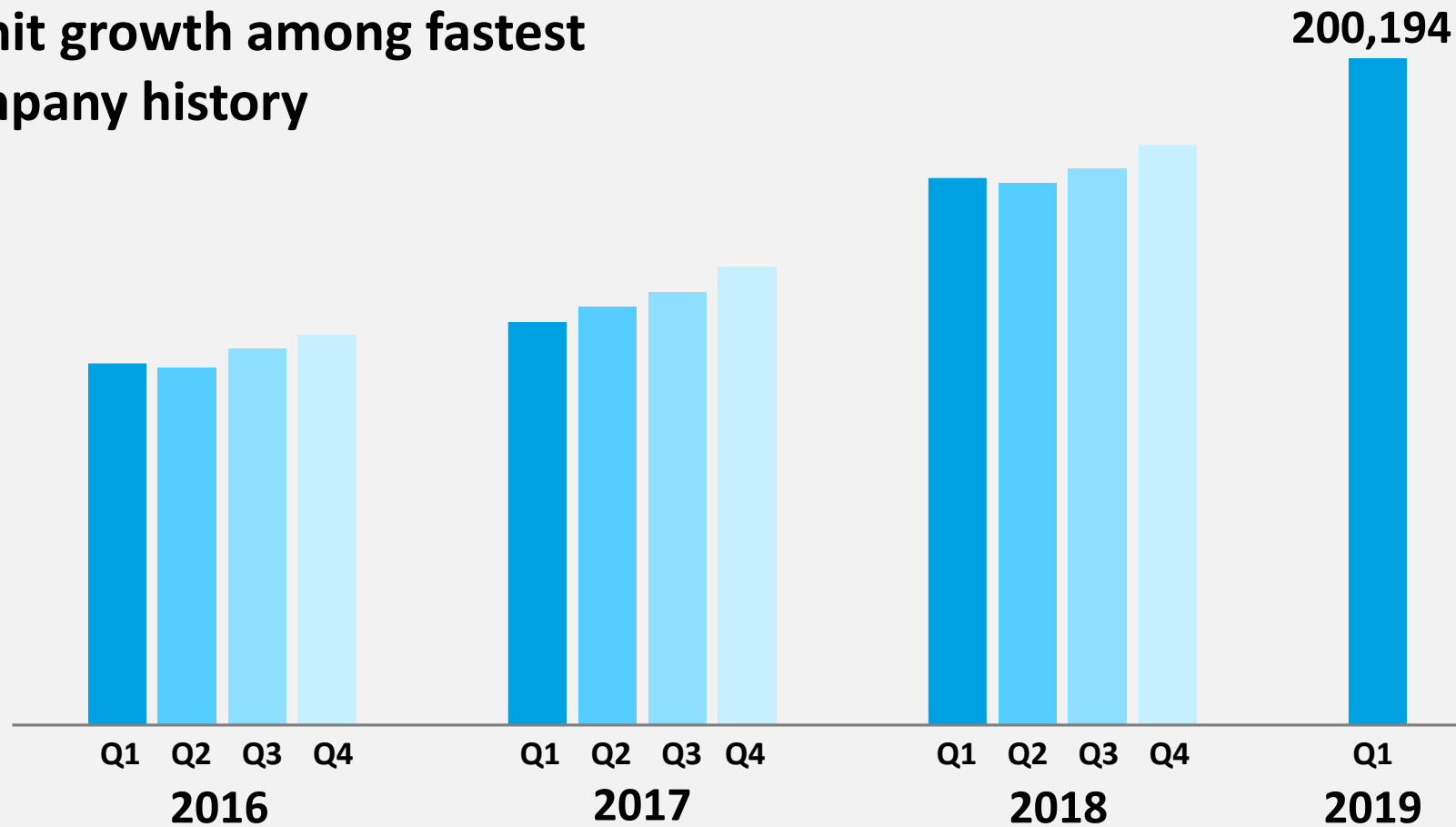
This presentation contains forward-looking statements under the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this presentation, including statements regarding the market opportunity, products, commercial partners, user experience, clinical trials, financial performance, strategies, anticipated future performance and general business conditions of Natera, Inc. (“Natera”, the “Company”, “we” or “us”), are forward-looking statements. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially, including: we face numerous uncertainties and challenges in achieving the financial guidance provided; we may be unable to further increase the use and adoption of Panorama, through our direct sales efforts or through our laboratory partners, or to develop and successfully commercialize new products, including our cancer and transplant rejection products; we have incurred losses since our inception and we anticipate that we will continue to incur losses for the foreseeable future; our quarterly results may fluctuate significantly; our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates; we may be unable to compete successfully with either existing or future prenatal testing oncology diagnostic or transplant rejection products or other test methods; we may not be successful in commercializing our cloud-based distribution model; our products may not perform as expected; the results of our clinical studies may not support the use of our tests, particularly in the average-risk pregnancy population or for microdeletions screening, or may not be able to be replicated in later studies required for regulatory approvals or clearances; if our sole CLIA-certified laboratory facility becomes inoperable, we will be unable to perform our tests and our business will be harmed; we rely on a limited number of suppliers or, in some cases, single suppliers, for some of our laboratory instruments and materials and may not be able to find replacements or immediately transition to alternative suppliers; if we are unable to successfully scale our operations, our business could suffer; our cord blood and tissue banking activities are subject to regulations that may impose significant costs and restrictions on us; the marketing, sale, and use of Panorama and our other products could result in substantial damages arising from product liability or professional liability claims that exceed our resources; we may be unable to expand third-party payer coverage and reimbursement for Panorama and our other tests, and we may be required to refund reimbursements already received; third-party payers may withdraw coverage or provide lower levels of reimbursement due to changing policies, billing complexities or other factors, such as the increased focus by third-party payers on requiring that prior authorization be obtained prior to conducting a test; if the FDA were to begin actively regulating our tests, we could incur substantial costs and delays associated with trying to obtain premarket clearance or approval and incur costs associated with complying with post-market controls; we could be subject to third party claims of intellectual property infringement, which could result in litigation or other proceedings and could limit our ability to commercialize our products or services; and any failure to obtain, maintain, and enforce our intellectual property rights could impair our ability to protect our proprietary technology and our brand. We discuss these and other risks and uncertainties in greater detail in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our periodic filings with the SEC. Further information on potential risks that could affect actual results will be included in other filings we make with the SEC from time to time. Given these uncertainties, you should not place undue reliance on the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied. Except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in our expectations. We file reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information concerning us is available at investor.natera.com or at <http://www.sec.gov>. Requests for copies of such documents should be directed to our Investor Relations department at Natera, Inc., 201 Industrial Road, Suite 410, San Carlos, California 94070. Our telephone number is (650) 249-9090.

Recent highlights

- Processed 200,194 tests in Q1 2019, a 15% sequential increase from Q4 2018
- Total revenues of \$67M in Q1 2019, up 18% vs Q1 2018 ¹
- Received a positive draft local coverage decision from Medicare for Prospera™ in kidney transplant rejection screening
- Announced clinical validation data for: breast cancer in Clinical Cancer Research, bladder cancer in Journal of Clinical Oncology, and colorectal cancer in JAMA Oncology
- Received “Breakthrough Device” designation for Signatera™ from the FDA
- 12 additional patents in Q1, bringing total to 70 issued and allowed patents
- Successfully completed \$115M gross proceeds follow-on equity offering

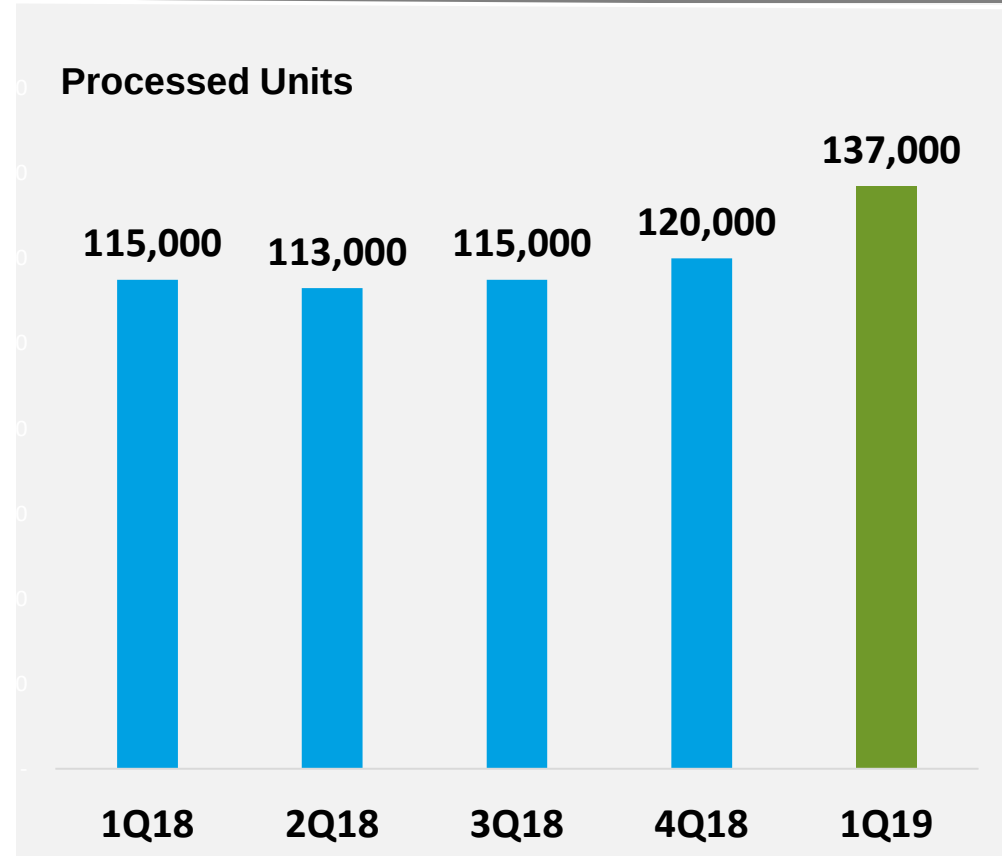
Rapid unit volume growth extends Natera's leadership

Net unit growth among fastest
in company history

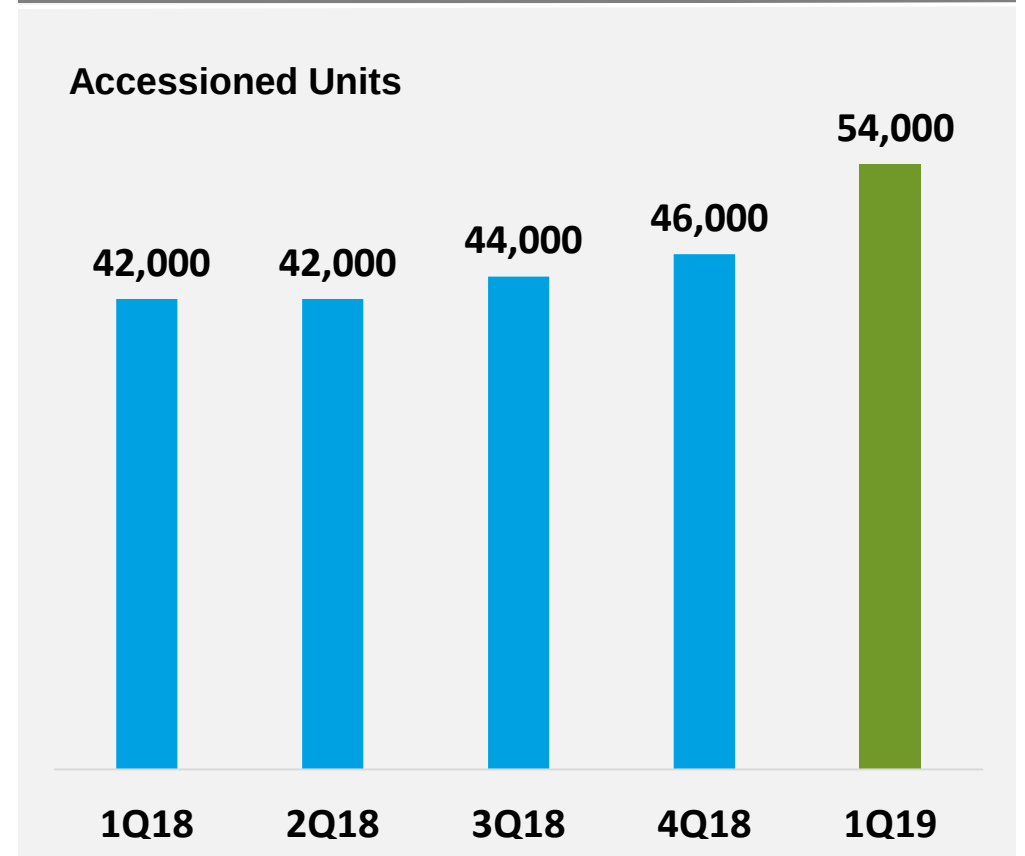


Driving growth in core products

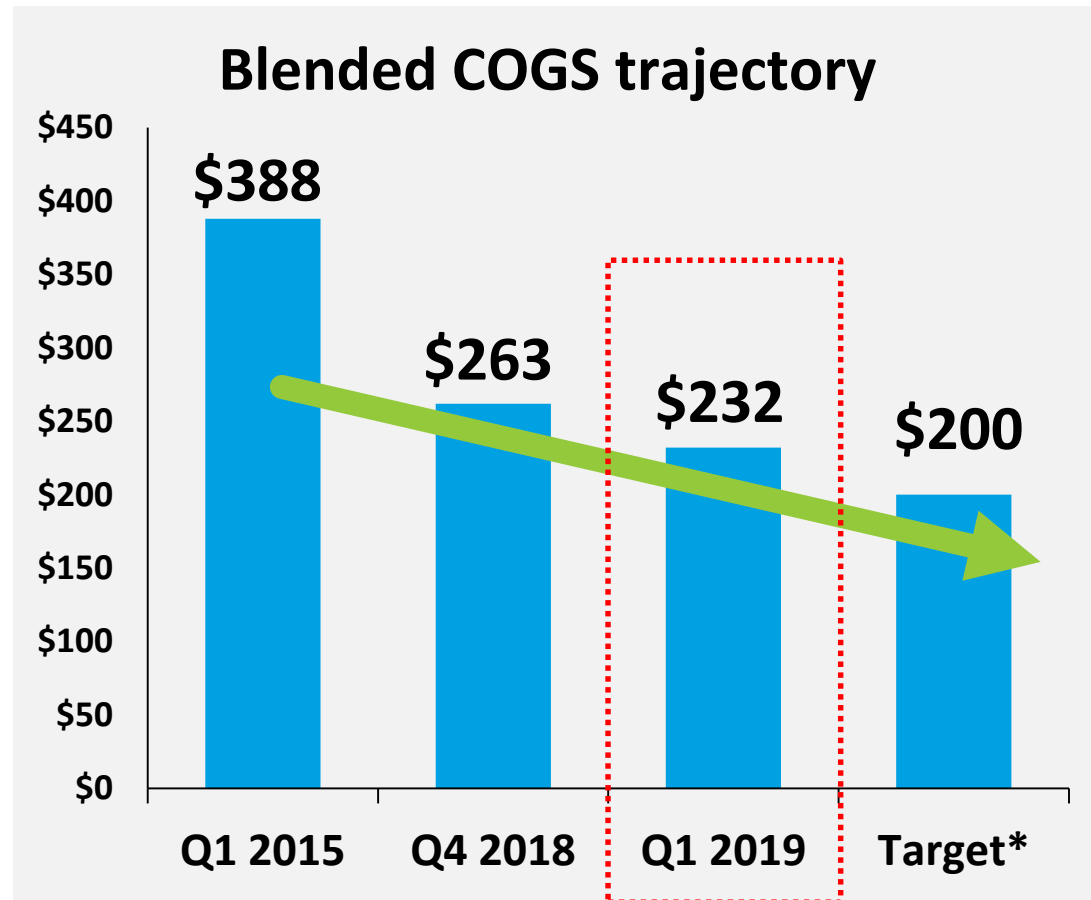
Panorama® Next-generation NIPT



Horizon™ Advanced carrier screening



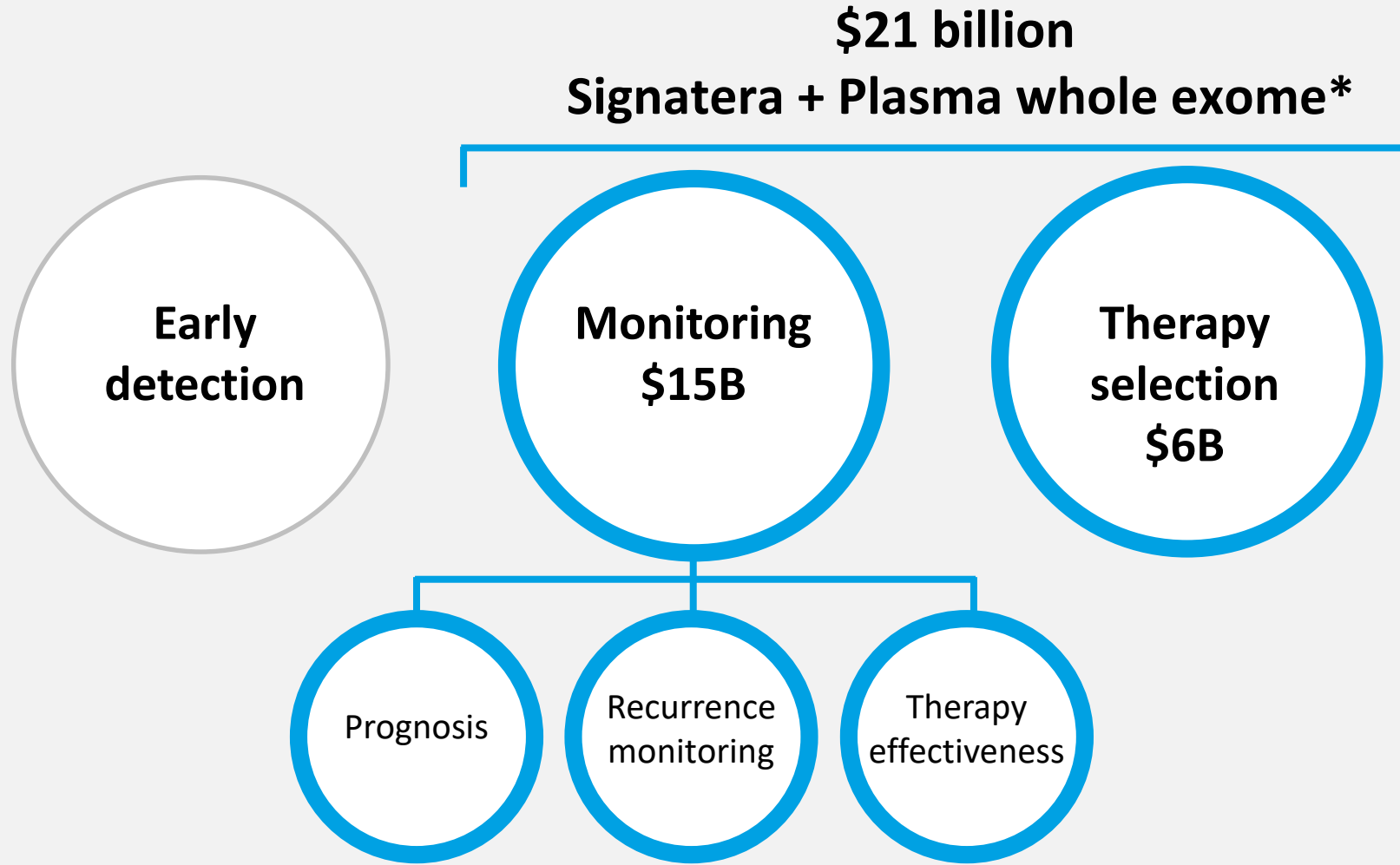
Blended COGS targets driving strong returns



Q1 COGS savings driving gross profit growth opportunity

~\$30 savings per unit X
annualized Q1 tests accessioned
=
~\$23M in annual additional
gross profit opportunity

Oncology ctDNA market opportunity



Multiple SNVs maximize sensitivity at low VAFs

- 73 gene fixed panel = 3 tumor mutations per patient
- Signatera personalized assay = 16 tumor mutations per patient
- **Result:** Maximizing sensitivity at a lower cost

	Fixed Panel (73 Genes)	Signatera (Personalized)
# Somatic Variants Per Patient (Median)		
NSCLC	3 ¹	16
Breast	3 ²	16
Colon	3 ³	16

1. Aggarwal C, et al. JAMA Oncology. 2018.

2. Rossi G, et al. CCR. 2017

3. Lima Pereira AA, et al. PLoS One. 2017

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Breast cancer clinical validation study published

- Signatera positive highly prognostic for recurrence
- Relapse detected up to two years earlier than standard of care

Clinical Cancer Research

Detection of Residual Breast Cancer Using Personalized Analysis of Circulating Tumor DNA Antedates Metastatic Recurrence

Authors and affiliations: R.C. Coombes^{*1}, K. Page^{*2}, R. Salari^{*3}, R. K. Hastings^{*2}, A. Armstrong⁴, S. Ahmed⁵, S. Ali¹, S. Cleator¹, L. Kenny¹, J. Stebbing¹, M. Rutherford², H. Sethi³, A. Boydell¹, R. Swenerton², D. Fernandez-Garcia², K.L.T. Gleason¹, K. Goddard¹, D. S. Guttery², Z. J. Assaf², H. Wu³, P. Natarajan², D.A. Moore⁶, L. Primrose², S. Dashner³, A. S. Tin, M. Balcioglu³, R. Srinivasan³, S. V. Shchegrova³, A. Olson³, D. Hafez, P. Billings³, A. Aleshin³, F. Rehman¹, B. J. Toghill², A. Hills¹, M. C. Louie³, J. Lin³, B. G. Zimmermann³, and J. A. Shaw^{*2}

Study overview	
Sample size	49 patients, 208 plasma samples
Patient sub-types	HER2-positive, hormone receptor-positive, and triple-negative
Study design	Prospectively collected serial blood tests, 2x per year, up to 4 years
Sensitivity	89%
Specificity	100%
PPV*	100%

Signatera™

Signatera is an effective tool for risk stratification and early detection of breast cancer recurrence, potentially benefitting the ~3.1M women who have a history of breast cancer in the United States.¹

* Without further treatment
1. BreastCancer.org. https://www.breastcancer.org/symptoms/understand_bc/statistics. Accessed April 15, 2019.
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Bladder cancer clinical validation study published

- Signatera positive highly prognostic for recurrence
- Relapse detected up to 245 days earlier than standard of care

Journal of
Clinical
Oncology®

Early Detection of Metastatic
Relapse and Monitoring of
Therapeutic Efficacy by
Ultradeep Sequencing of
Plasma Cell-Free DNA in
Patients with Urothelial
Bladder Carcinoma

Emil Christensen, PhD¹; Karin Birkenkamp-Demtröder, PhD¹; Himanshu Sethi, MPH²; Svetlana Shchegrova, PhD²; Raheleh Salari, PhD²; Iver Nordenfjeld, PhD²; Hsin-Ta Wu, PhD²; Michael Knudsen, PhD²; Philippe Lamy, PhD²; Sia Viborg Lindskrog, BS¹; Ann Taber, MD¹; Mustafa Balcioglu, PhD²; Søren Vang, PhD²; Zee Assaf, PhD²; Shruti Sharma, PhD²; Antony S. Tin, PhD²; Ramya Srinivasan, MS²; Dina Hafez, PhD²; Thomas Reinert, PhD²; Samantha Navarro, BS²; Alexander Olson, BS²; Rosalyn Ram, PhD²; Scott Dashner, BS²; Matthew Rabinowitz, PhD²; Paul Billings, MD, PhD²; Styrmir Sigurjonsson, PhD²; Claus Lindbjerg Andersen, PhD¹; Ryan Swenerton, PhD²; Alexey Aleshin, MD¹; Bernhard Zimmermann, PhD²; Mads Agerbak, MD¹; Cheng-Ho Jimmy Lin, MD, PhD, MHS²; Jørgen Bjerggaard Jensen, MD, DMSc^{1,2}; and Lars Dyrskjot, PhD^{1,2}

Study overview	
Sample size	68 patients, 656 plasma samples
Patient sub-types	Diagnosed with MIBC and were receiving neoadjuvant chemotherapy before cystectomy
Study design	Blood samples were collected at uniformly scheduled clinical visits and before each chemotherapy cycle
Sensitivity	100%
Specificity	98%
PPV*	93%

Signatera™

Signatera is an effective tool for prognosis and detection of muscle-invasive bladder cancer (MIBC) recurrence, potentially benefitting the ~20K men and women who are diagnosed in the United States each year.^{1,2}

* Without further treatment

1. Cancer Stat Facts. <https://seer.cancer.gov/statfacts/html/urinb.html>. Accessed May 6, 2019.

2. Urology Care Foundation. <https://www.urologyhealth.org/urologic-conditions/muscle-invasive-bladder-cancer>. Accessed May 6, 2019.

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10

Colorectal cancer clinical validation study published

- Signatera positive highly prognostic for recurrence
- Relapse detected up to 16.5 months earlier than standard of care

JAMA Oncology

Analysis of Plasma Cell-Free DNA by Ultradeep Sequencing in Patients With Stages I to III Colorectal Cancer

Thomas Reinert, PhD; Tenna Vesterman Henriksen, MSc; Emil Christensen, PhD; Shruti Sharma, PhD; Raheleh Salari, PhD; Himanshu Sethi, MPH; Michael Knudsen, PhD; Ivar Nordenskjöld, PhD; Hsin-Ta Wu, PhD; Antony S. Tan, PhD; Mads Hellekær Rasmussen, PhD; Søren Vang, PhD; Svetlana Shchegrova, PhD; Amanda Frydendahl Boll, Johansen, MSc; Ramya Srinivasan, MSc; Zoe Asraf, PhD; Mustafa Balcioglu, PhD; Alexander Olsson, BSc; Scott Dashner, BSc; Dina Hafez, PhD; Samantha Navarro, BSc; Shruti Goel, PhD; Matthew Rabinowitz, PhD; Paul Billings, MD, PhD; Styrmir Sigurjonsson, PhD; Lars Dyrskjot, PhD; Ryan Swenerton, PhD; Aleksey Alekhin, MBA, MD; Søren Laurberg, DMSc; Anders Husted Madsen, MD, PhD; Anne Sofie Kannerup, MD, PhD; Katrine Strøbt, MD; Søren Palmelund Krag, MD, PhD; Lene H. Iversen, MD, PhD; Kåre Gotschalck Sørensen, MD, PhD; Cheng-Ho Jimmy Lin, MD, PhD, MHS; Bernhard G. Zimmermann, PhD; Claus Lindbjerg Andersen, PhD

Study overview	
Sample size	125 patients, 795 plasma samples
Patient sub-types	Stage I-III
Study design	Prospectively collected pre surgery, post surgery Day 30, and every 3 months for up to 3 years
Sensitivity	88%
Specificity	99.8%
PPV*	93%

Signatera™

Signatera is an effective tool for risk stratification post-surgery and early detection of colorectal cancer recurrence, potentially benefitting the ~145,000 patients diagnosed with CRC annually in the United States.¹

* Without further treatment
1. <https://seer.cancer.gov/statfacts/html/colorect.html>
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Signatera Colorectal Cancer – Medicare reimbursement pathway

- ✓ Successful pre-submission meeting
- ✓ Obtained Z-code
- ✓ Published clinical validation
- CLIA launch
- Launch registry study
- Formal LCD submission

2019

- Draft LCD release
- Establish pricing
- Final LCD published

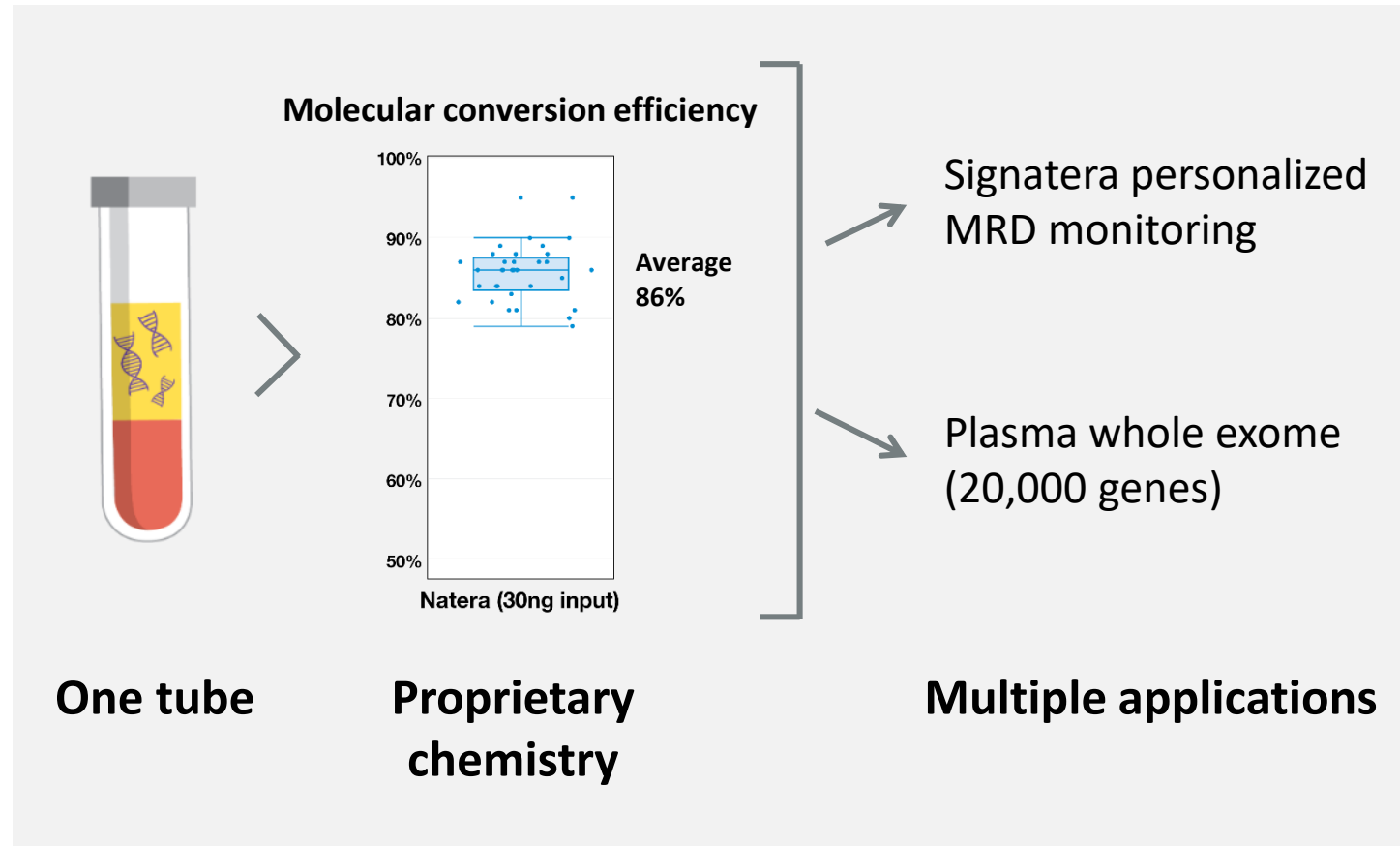
Future

Breakthrough Device designation for Signatera

- Enables expedited development and review in collaboration with FDA
- Validates path for pharma trials using Signatera for patient selection
- Supports 2019 goal of achieving \$40-50M in cumulative contract value



Signatera and whole exome sequencing (RUO) in a single blood draw



- Data shows high concordance between tissue and plasma whole exome data
- Leapfrog 20,000 gene panel extends capabilities in \$21B market

Medicare draft LCD coverage statements favorable

“ Prospera is an effective, non-invasive method of assessing kidney allograft status with better performance than the current standard-of-care. ”

“ The evidence is sufficient to support that Prospera provides a non-invasive assessment tool to assess for the presence of active allograft rejection. ”

“ ... Prospera identifies both ABMR [antibody-mediated rejection] and TCMR [T-cell mediated rejection], and it is validated to detect subclinical AR [active rejection]. ”

Transplant reimbursement pathway on track

- ✓ Completed analytical validation
- ✓ Completed clinical validation
- ✓ Successful pre-submission meeting
- ✓ Obtained Z-code
- ✓ Completed CLIA validation
- ✓ Formal LCD submission

2018

- ✓ Draft LCD release
- Establish pricing
- Launch registry study
- Final LCD published

Anticipated 2019

Broad IP portfolio covering core technology and applications

- 70 issued or allowed patents
- 12 patents issued or allowed in Q1 2019
- Broad coverage of core technologies
- Extensive assay-specific IP covering reproductive health, transplant and oncology

Q1 2019 financial overview

Growth in Panorama and Horizon volumes is primary driver of change vs Q1 2018

(\$ in millions, except for per share data)

P&L	Q1'19	Q1'18	Change
Horizon Revenue	\$ 22.7	\$ 18.3	\$ 4.4
Panorama Revenue	\$ 37.2	\$ 33.3	\$ 3.9
Total Revenue	\$ 66.8	\$ 62.3	\$ 4.5
Gross Margin% ¹	35%	35%	--%
R&D	\$ 11.4	\$ 14.3	\$ (2.9)
SG&A	\$ 43.8	\$ 37.9	\$ 5.9
Net Loss Per Diluted Share	\$ (0.54)	\$ (0.61)	\$ 0.07
Balance Sheet	Mar 31, 2019	Dec 31, 2018	Change
Cash & Investments ²	\$ 128.5	\$ 158.5	\$ (30.0)
UBS Line of Credit	\$ 50.2	\$ 50.2	\$ --
OrbiMed Debt Facility	\$ 73.4	\$ 73.4	\$ --

1. Gross margin is calculated as gross profit divided by GAAP total revenues.
Gross profit is calculated as GAAP total revenues less GAAP cost of revenues.
2. Cash and investments also include restricted cash.

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2019 annual guidance unchanged

(\$ in millions)	
Revenue	\$275 – \$302
Gross margin % revenue	35% – 41%
SG&A	\$180 – \$190
R&D	\$60 – \$65
Cash burn	\$80 – \$100



Horizon™
Advanced carrier screening

Spectrum®
Preimplantation genetics

Panorama®
Next-generation NIPT

Vistara
Single-gene NIPT

Anora®
Miscarriage test (POC)

Evercord™
Newborn stem cell banking

Signatera™
Research use only

Prospera™
Transplant assessment

Constellation
Technology licensing